

Constitutional clarifications and guidance for the Snek loan governance action

Superseding the draft executive summary published on-chain

Subject: Implementation Terms for “Loan ₢5,000,000 to Expand Cardano’s Global Listings” Treasury Withdrawal Governance Action

This document is intended to supersede the draft executive summary in the Treasury Withdrawal and acts as bridging constitutional guidance to support the completion of the final contract terms. It sets out how the agreement will remain consistent with the Constitution and the parameters approved by the community.

In answer to operational questions that we have received, this bridging guidance is issued to update the Cardano Community on how the “Loan ₢5,000,000 to Expand Cardano’s Global Listings” Treasury Withdrawal Governance Action will be administered, if it is approved by DReps and the Constitutional Committee. It sets out the core terms that are expected to be reflected in the final, binding loan agreement between Cardano Development Holdings (CDH) / Intersect (as lender/administrator) and the Snek Foundation (as borrower). These terms are designed to ensure that the off-chain legal instruments remain fully aligned with (1) the approved Budget Info Action, (2) the on-chain Treasury Withdrawal text, and (3) the Cardano Blockchain Ecosystem Constitution, in particular Article III, Section 5 and Article IV, Section 4.

The on-chain Governance Action contains metadata with a hashed link to the draft of the loan agreement as it stood at the time of submission. The terms below are expected to be incorporated into the final agreement following standard legal refinement. If an agreement cannot be reached between the Administrator (Intersect) and the Borrower (Snek Foundation) the funds will not be released from the Treasury Reserve Smart Contract (TRSC) and instead be swept back into the Cardano Treasury. This follows established precedence from the work contracts issued by Intersect as administrator of the “Cardano Blockchain Ecosystem Budget – 275M ada Administered by Intersect” Budget Info Action and related Treasury Withdrawal Governance Actions.

1. Purpose and Use of Funds

1.1 The Purpose clause is expected to specify that the use of funds will be limited to the categories set out in the Budget Info Action and Treasury Withdrawal, specifically:

- Negotiation and execution of Tier 1 and other top-tier listings on centralized exchanges, retail brokers, and relevant platforms;
- Provision of liquidity and market-making for ADA/SNEK pairs;
- Legal and compliance costs required by listing venues;
- Mandatory coordination and announcement campaigns linked to those listings;
- Advisory, transparency operations, reporting, and independent audits as described in the governance actions.

1.2 The agreement is not expected to include open-ended language that would allow usage of treasury funds for purposes not described in the approved budget and withdrawal.

1.3 Any material expansion of permitted uses beyond those categories would likely be treated as a change of budget purpose and will require a new governance action approved by DReps, not merely an internal amendment.

This ensures that the contractual obligations governing the use of ada are in fact the obligations that DReps approved, satisfying Article IV, Section 4.

2. Repayment Obligations and Schedule

2.1 The final loan agreement will implement the repayment terms as represented in the Budget Info Action and Treasury Withdrawal. In particular:

- Snek Foundation and the Snek Ecosystem may start repayments early. By the end of year 3, an independent audit will be conducted to review the repayments already made. The audit will verify the amounts reimbursed directly to the Treasury to date, coming as donations from any Snek related network activity. It will then calculate any outstanding principal and interest, and establish a repayment schedule to ensure the full balance is repaid over the remaining years.
- The repayment structure is expected to include an early initial payment and a schedule for ongoing repayments through the TRSC. This is intended to create a steady pattern of repayment, consistent with what DReps approved, without prescribing a rigid cadence at this stage (as approved in the pursuant Budget Info Action).
- Funds repaid through the current treasury mechanism, such as the TRSC, will be returned to the Cardano Treasury. If the treasury configuration evolves, repayments will be routed through the successor mechanism that serves the same constitutional function.
- The loan will be fully repaid, including interest at 2.44% APR, within a maximum term of five (5) years from disbursement, unless modified by a subsequent governance action.

2.2 The agreement will allow for prepayment without penalty, so that the Snek Foundation may repay principal and interest earlier than scheduled if cash flows allow.

These provisions address the concern that the contract could otherwise weaken the repayment obligations relative to what DReps approved.

3. Flow of Funds Back to the Cardano Treasury

3.1 While CDH / Intersect acts as the legal Lender, the final agreement will expressly state that:

All repayments of principal and interest received from the Snek Foundation under this loan shall be held for the benefit of the Cardano Treasury and returned to the Cardano Development Holding's smart-contract accounts.

3.2 CDH / Intersect is not expected to retain or reallocate repaid funds other than for:

- Temporary holding in the Treasury Reserve Smart Contract (TRSC) or its associated accounts; and
- Return to the Cardano Treasury as defined in the Constitution and associated treasury contracts

3.3 Funds held in the TRSC or Project-Specific Smart Contracts (PSSCs) will continue to be:

- Maintained in separate, auditable accounts; and
- Delegated only to the auto-abstain predefined DRep, not to any SPO, in accordance with existing treasury management configuration.

This makes the "repayments to the Cardano Treasury" promise legally explicit, which is required by Article IV, Section 4 and consistent with Article IV's delegation and custody rules.

4. Changes, Extensions, and Potential Write-Offs

4.1 The final loan agreement will make clear that:

- A future Info Action may be treated as an instruction that CDH and Intersect can consider for illustrative purposes, including whether to extend, restructure, or write off the loan, provided it meets the same 67 percent DRep threshold required for a Treasury Withdrawal Governance Action. This higher threshold would be sought to justify making amendments to the contract.

- If the constitutional framework evolves during the loan term, including changes to amendment thresholds or processes, any modification to the loan agreement will follow the governance requirements that are in force at that time, provided that such changes remain consistent with the overarching principle that Treasury funds cannot be reduced or forgiven without explicit on-chain approval.

5. Audit, Reporting, and Dispute Resolution

5.1 The final agreement will explicitly establish the audit and reporting commitments described in the Budget Info Action and Treasury Withdrawal, including:

- Bi-yearly public reporting by the Snek Foundation (progress, expenditures by category, when contractually permissible, and KPI evolution);
- Annual independent external audits, funded by the 30–50k ADA per year allocation specified in the budget;
- Access for Intersect and the Oversight Committee to all necessary information to verify compliance and repayment progress.

5.2 The agreement will contain a dispute resolution mechanism aligned with Article IV, Section 4, allowing:

- Intersect / CDH, acting on behalf of the Cardano Treasury, to enforce loan obligations; and
- Escalation to appropriate legal or arbitration for if obligations are not met.

5.3 These provisions will be framed expressly as fulfilling the requirement that contractual obligations governing the use of ada include oversight, audit, and recourse consistent with the Constitution.

6. Publication and Transparency

6.1 Prior to any first disbursement from the Treasury Reserve Smart Contract to the Snek Foundation's project-specific contract, Intersect will:

- Publish the final loan agreement (with limited, narrowly tailored redactions only where required for commercial confidentiality or security); and
- Provide a clear mapping from its clauses to the Budget Info Action and Treasury Withdrawal terms.

6.2 DReps and community members will thus be able to verify that:

- The purpose clause matches the on-chain scope;
- The repayment obligations and schedule are consistent with what was approved;
- The flow of repayments back to the Cardano Treasury is contractually guaranteed; and
- The contract language respects Article III, Section 5 and Article IV, Section 4.

Summary

By adopting these guiding implementation terms in the final loan agreement, Intersect is committing that:

- The off chain legal framework will align in all materially relevant respects to the on-chain Budget Info Action and Treasury Withdrawal; and
- The contractual obligations governing the use of ada will faithfully implement what DReps approved and what the Constitution requires.
- The loan agreement may be extended or modified only through an Info Action that meets the 67 percent threshold.

These commitments are intended to give DReps, constitutional scholars, and the broader community confidence that, if the “Loan ₩5,000,000 to Expand Cardano’s Global Listings” Treasury Withdrawal is approved, it will be administered in a manner that is fully constitutional and transparently enforceable.

— *Intersect Treasury Administration & Delivery Assurance*